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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 004155

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SUBJECT: KMT LEGISLATOR JOHN CHIANG ON CROSS-STRAIT
RELATIONS AND DOMESTIC POLITICS

Classified By: AIT Acting Director Robert S. Wang,
Reason 1.4 (b/d)

¶1. (C) Summary: KMT Central Standing Committee and LY member John Chiang suggested to the Acting Director on December 18 that PRC leaders' growing confidence in China's development has made them more accommodating in engaging Taiwan on cross-strait economic issues. However, Chiang believes Beijing will remain tough on issues that touch on Taiwan's sovereignty and national defense, and he stressed the KMT's commitment to building up Taiwan's defense to counter China's military modernization. Turning to domestic politics, Chiang criticized KMT Chairman Ma Ying-jeou for his weak leadership and relative inexperience in handling party affairs. Though Ma currently remains the only viable KMT candidate for the presidency in 2008, Chiang predicted that others, such as LY Speaker Wang Jin-pyng will likely challenge Ma's leadership over the next few months. End Summary.

¶2. (C) Kuomintang (KMT) Central Standing Committee (CSC) and LY member John Chiang (Hsiao-yen), the son of former President Chiang Ching-kuo, suggested to the Acting Director on December 18 that current PRC leaders are increasingly confident in China's development, which has made them more accommodating when engaging Taiwan on cross-strait economic issues. Chiang pointed to ongoing discussions to relax the ban on Chinese tourists and to expand direct charter flights across the Strait as examples of Chinese flexibility. Although doubtful the two sides could reach a final agreement on these issues by the end of this year, Chiang was optimistic that progress can be made early next year.

¶3. (C) Despite its economic overtures to Taiwan, however, Beijing is likely to remain tough on issues that touch on Taiwan's sovereignty and national defense, Chiang predicted. He stressed the KMT's commitment to building up Taiwan's defense to counter China's military modernization, noting that close economic exchanges with the PRC do not mean Taiwan will forsake its right to self-defense or "national identity." As an example, Chiang underscored the KMT's willingness to pass a robust 2007 defense budget during this legislative session. Chiang also predicted that the 2006 supplemental arms budget would be approved by the LY Procedure Committee on December 19. He did not expect the

People First Party (PFP) to be able to block passage of the supplemental budget, which would then be sent to the Defense Committee. (Note: The Procedure Committee blocked the supplemental budget on December 19 for the 69th time. End Note.)

14. (C) Chiang suggested that the KMT commitment to building a strong defense for Taiwan would continue if the party regains power in 2008. The KMT has sought to work with the CCP on a "peace pact" to reduce tensions across the strait, but boosting defense was the only way the KMT could have a strong bargaining position with Beijing as well as continue to remain a viable political party on Taiwan. Chiang characterized the KMT's ultimate aim of reunification as a policy of "anti-Taiwan independence," rather than a "pro-China" stance. He underscored that the KMT advocates that Taiwan's future, whether independence or reunification, is a matter for the people of Taiwan to decide. For now, given the PRC's lack of democracy, maintenance of the "status quo" remains the best option for Taiwan.

15. (C) Turning to domestic politics, John Chiang criticized KMT Chairman Ma Ying-jeou for his weak leadership and relative inexperience in handling party affairs. Although the KMT Central Standing Committee (CSC) must support Ma's decisions, he enjoys relatively little personal support from individual CSC members, with only Legislators Lai Shih-pao and Wu Yu-sheng as "true" Ma supporters. Chiang explained that native Taiwanese comprise 60 percent of Standing Committee members and they tend to view Ma, a "mainlander," with suspicion. Chiang suggested that Ma's weakness comes from his inability to forge close friendships and alliances with other KMT leaders, "having no enemies, he also has no friends." With Ma stepping down this week as Taipei mayor,

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Chiang said Ma will now enjoy fewer administrative resources and less media exposure. Chiang contrasted Ma with LY Speaker Wang Jin-pyng, arguing that despite losing out in the race for KMT Chair Wang actually enjoys broader support among the party elite.

16. (C) Though Ma currently remains the only viable KMT candidate for the presidency in 2008, Chiang suggested that several challenges to Ma's leadership could emerge over the next few months. Ma's attention will be focused on managing KMT negotiations with the PFP to reach an accommodation ahead of the 2007 legislative and 2008 presidential elections. Failure to convince recalcitrant KMT legislators to at least tacitly support KMT-PFP cooperation ahead of legislative elections would be seen as another sign of Ma's weak leadership, suggested Chiang. Ma will also have to reach an accommodation with his erstwhile rival Wang Jin-pyng, who has so far has not revealed whether he plans to contest Ma for the party's 2008 presidential nomination. Ma's most important challenge, however, could prove to be his handling of any unfavorable developments related to the ongoing prosecutor's investigation into his use of the Taipei mayoral special budget.

Comment

17. (C) Chiang's message on the KMT's commitment to the defense budget reinforces reassurances we have recently received from Chairman Ma and Speaker Wang. The 2007 defense budget nevertheless has not yet passed in the legislature and the 2006 supplemental budget, despite Chiang's optimism yesterday, was blocked in the LY Procedure Committee on December 19 for the 69th time by a majority comprised of KMT and PFP legislators. The fact that the Procedure Committee blocked the supplemental budget means that KMT Chairman Ma, on this issue especially, needs to show he can exert sufficient leadership over his party's legislative caucus to deliver on his defense commitments.

WANG